

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01 /075 W

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R 292027Z NOV 74

FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 5825

INFO AMCONSUL CALI

AMCONSUL MEDELLIN

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E O 11652 NA

TAGS EFIN, CO

SUBJ: LOPEZ ADMINISTRATION REQUESTS DECREE POWERS FOR TAX REGS

REF BOGOTA 9973

1. LOPEZ ADMIN ON NOV 28 PRESENTED REQUEST TO CONGRESS FOR EMERGENCY DECREE POWERS FOR 15 DAYS IN ORDER TO IMPLEMENT ADMIN REGS RE TAX DECLARATION. REQUEST IS RESULT OF SUPREME COURT DECLARING UNCONSTITUTIONAL DECREE ISSUED DURING ECONOMIC EMERGENCY PERIOD WHICH SERVED THIS PURPOSE. COURT MAINTAINED THAT WHILE DECREES ESTABLISHING NEW TAX SYSTEM WERE VALID, SUBSEQUENT DECREE ON TAX ADMIN WAS SIMPLY PROCEDURAL AND THEREFORE NOT WITHIN SCOPE OF EMERGENCY POWERS. GOC THUS COULD BE FACED WITH APPLYING NEW LAW UNDER OLD REGS AND POSSIBLE LOSS OF CONSIDERABLE REVENUE THROUGH BOTH CONFUSION AND EVASION.

2. REQUEST FOR EMERGENCY DECREE POWERS IS BASED ON ARTICLE 76 OF CONSTITUTION WHICH PERMITS CONGRESS, AT PRES'S REQUEST, TO AUTHORIZE DECREE POWERS TO LEGISLATE IN SPECIFICALLY DEFINED AREAS. ADMIN HAS PROMISED THAT ONLY UTILIZATION OF AUTHORITY WILL

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BE TO REISSUE DECREE DECLARED UNCONSTITUTIONAL. ADMIN MAINTAINS THAT

WITHOUT NEW REGS ENTIRE

TAX REFORM LOSES ITS EFFECT. RESULT WOULD BE COMPLETE CONFUSION, EXCESSIVE ADMIN BURDEN AND MOST SERIOUS OF ALL, OPEN INVITATION TO TAX EVASION. EFFECTIVE REVENUE LOSS COULD BE SEVERAL BILLION PESOS.

3. ADMIN HOPES FOR PROMPT ACTION BY CONGRESS SINCE PRESENT SESSION ENDS DEC 16 AND NEW SESSION DOES NOT BEGIN IN TIME FOR REGS TO BECOME EFFECTIVE BEFORE FILING OF TAX RETURNS COMMENCES. HOWEVER, SOME SCEPTISM EXISTS THAT CONGRESS WILL BE WILLING OR ABLE TO MOVE EXPEDITIOUSLY. ANOTHER BILL HAS ALREADY BEEN INTRODUCED IN SENATE WATERING-DOWN INCOME TAX REFORM DECREED DURING ECONOMIC EMERGENCY PERIOD AND DELEGATION OF POWERS COULD INVOLVE SUBSTANTIVE DEBATE ON BOTH INCOME TAX AND ADMIN REGS. FURTHERMORE, ADMIN REQUEST MUST BE CHanneled THROUGH THIRD COMMISSION OF SENATE WHERE CONSIDERABLE OPPOSITION EXISTS REGARDING TAX REFORMS AND SEVERAL MEMBERS ARE OPENLY ANTAGONISTIC TOWARD MINFINAN BOTERO. IF APPROVAL IS NOT OBTAINED BEFORE DEC 16, IT IS CONSIDERED LIKELY THAT PRES LOPEZ WILL CONVENE SPECIAL SESSION DURING JAN. WHITE

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